GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2192
ANSWERED ON:01.12.2000
SEBI GUIDELINES TO LISTED COMPANIES
PAWAN KUMAR BANSAL

Will the Minister of FINANCE be pleased to state:

(a) whether the Securities and Exchange Board of India (SEBI) hasdirected the listed companies to co-opt some independent directors on their boards;

(b) if so, the details and objectives of the direction; (

(c) the number of companies that have implemented the direction;

(d) whether some companies have raised objections against the said order; and

(e) if so, the number of such companies and the nature of the companies?

Answer

MINISTRY OF STATE IN THE MINISTRY OF FINANCE (BALASAHEB VIHE PATIL)

(a) Yes, Sir. The Securities and Exchange Board of India (SEBI) haddirected the exchanges to incorporate a new clause on corporate governance in the listing agreement. This clause requires listed companies to maintain a certain percentage of independent directors on Board of Directors to, inter alia, ensure greater independence of the Board in decision making and ensure better protection of investors.

(b) SEBI had set up a Committee on corporate governance under theChairmanship of Shri Kumar Mangalam Birla with the objective of strengthening and raising standards of corporate governance of listed companies. The recommendations of the Committee were grouped into two categories, namely, mandatory and non-mandatory recommendations. The mandatory recommendations are being implemented through amendments to the listing agreements of stock exchanges. These include, inter alia, the composition of the board of directors with an optimum mix of executive and non-executive independent directors, Board procedures, compliance report on corporate governance etc. It is expected that introduction of these measures will ensure greater independence of the Board in decision making, help to raise standards of functioning of corporates and enhance investor protection.

(c) Listed companies are required to implement the directions in a phased manner. All companies seeking listing for the first time are required to implement them at the time of listing whereas those in Group A of BSE or in S&P CNX Nifty by 31st March 2001.

(d) No, Sir.

(e) Does not arise.